

# ECONOMY AND MARKET

## THE SHEET GLASS MARKET: TRENDS AND PROSPECTS

Zh. Martynova<sup>1</sup> and O. Perfil'eva<sup>1</sup>

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The sheet glass market is traditionally regarded as highly attractive. In the present article we analyze the current situation, comparing it with the parameters of year 2003.

According to the custom statistics data, in 2004 the foreign trade turnover of sheet glass in Russia reached 124 million USD. A steady trend in this import is the significant growth of physical volumes and cost of glass (twice that 2003).

In recent years some significant modifications occurred in the structure of glass import to Russia. For the first time Chinese manufacturers took the leading position, taking 15% of the import market. Kirghizia, which is a standing foreign-trade partner of Russia, has moved to the second position in the list of supplying countries, its sales decreasing by 2%. The list of the main suppliers was complemented by Belgium (12% of import) and Sweden, which has shared the fourth position with Ukraine (11% market each). At the same time, the volumes of glass sales from the Czech republic dropped significantly: by 7% compared to 2003 (Fig. 1).

Among the supplier companies the most active are still the Glaverbel and the Pilkington groups of companies, the Interglass (Kirghizia), and the Proletarii Lisichanskii Works (Ukraine).

The regional distribution of glass import has undergone no serious changes: the main consumers are still Moscow and Moscow Region companies (Fig. 2).

The persistent high import dynamics is primarily determined by the continuing increase in the domestic demand for

high-quality foreign glass of grade M1. Therefore, the cost of float glass of this grade imported in 2004 is more than twice the volume of 2003.

Compared to import parameters, the Russian export of sheet glass has increased insignificantly; the cost has grown by less than 5% against 2003 and was equal to 35.3 million dollars. In physical units the volume of export sales in 2004 has decreased by nearly 20%. Thus, the average contract prices for export products have grown.

The structure of glass export in 2004 has changed as well. Although Ukraine (25%) and Turkey (14%) continue to be among the largest consumers of the Russian product (Fig. 3), a serious jump in sales was registered in Kazakhstan, whose share in glass import has grown by 17%. Thus, the priority markets for the domestic producers are the CIS countries. The export sales leaders, as before, are Saratovstroisksteklo, Borskii Glass Works, and Salavatsteklo (Fig. 4).

In our opinion, the most significant changes in 2004 have occurred on the internal Russian market of sheet glass. They are related to the plans of the Glaverbel and Pilkington corporation, which for many years have been exporting glass to

<sup>1</sup> VladVneshServis Company, Russia.

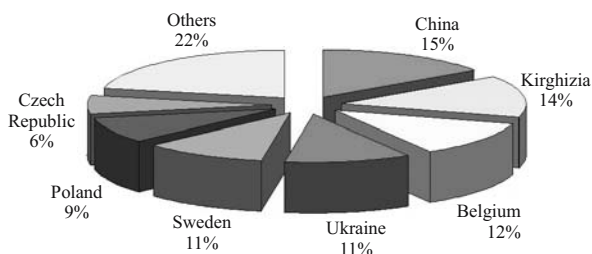


Fig. 1. Countries-producers of sheet glass imported in 2004 (USD).

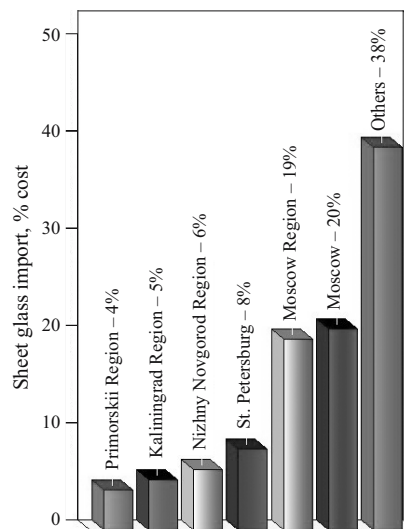
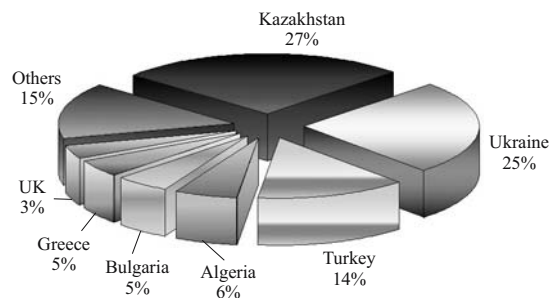


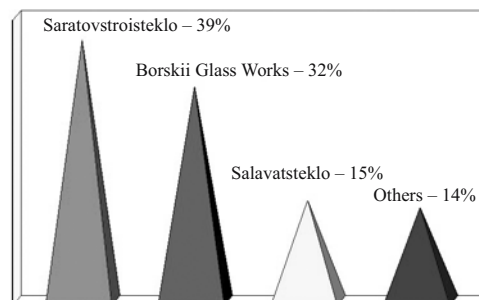
Fig. 2. Regional structure of import of sheet glass in 2004.



**Fig. 3.** Countries-consumers of Russian sheet glass exported in 2004 (USD).

Russia, to create their own manufacturing facilities in Russia, namely the Glaverbel Works in the Klin district of the Moscow Region (has already started producing) and the Pilkington Works in the Ramenskii district of the Moscow Region (scheduled to start this year). These investment projects are determined, in particular, by the companies' wish to raise their efficiency by saving custom costs. The introduction of new facilities on the territory of the Russian Federation makes it possible for these foreign corporation to satisfy their own needs. However, most probably the general situation with market competition will change as well. It will be harder for domestic producers to retain their positions on the domestic market, which is financially attractive. At present the main competing advantages of domestic producers are their established relations with the consumers and lower prices for glass product compared to imported glass.

One way of improving the competitiveness of Russian glass producers is vertical diversification, i.e., the develop-



**Fig. 4.** Leading companies-exporters of sheet glass in 2004.

ment of local production networks for processing glass into finished products, similarly to the foreign companies, in particular, the Glaverbel Co. Furthermore, in our opinion, an interesting solution could be expanding the current product ranges, for instance, producing glass with special coatings, energy-saving, figured glass, etc. Another pertinent issue is the need for the technological upgrade of existing float glass lines at the domestic factories. Thus, according to a media report, one of our glass-making leaders (Salavatsteklo JSC) is starting a cold repair of its sheet-glass production line.

As for exporting Russian glass to foreign markets, trade with the CIS countries can become prevailing and be a significant route for selling domestic glass.

It is notable that according to some experts, the growing import, the construction of new foreign-owned factories in Russia, and the increasing capacity of Russian manufacturers will make the market for sheet glass inside the country saturated.